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RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 001906

NOFORN
SIPDIS

DEPT PASS USAID/AFR/SD FOR CURTIS, ATWOOD AND SCHLAGENHAUF
DEPT PASS TO USTDA-PAUL MARIN, EXIM-JRICHTER
DEPT PASS USTR FOR AGAMA
DEPT PASS TO OPIC FOR BARBARA GIBIAN AND STEVEN SMIT
USDOE FOR GEORGE PERSON
TREASURY FOR PETERS, SOLOMON AND RITTERHOFF

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TAGS: [EPET](#) [ENRG](#) [EINV](#) [ECON](#) [ETRD](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA MAKING PROGRESS PROMOTING CLIMATE CHANGE, BUT MORE
HELP IS NEEDED

Classified By: Deputy Chief of Mission Dundas C. McCullough for
reasons 1.4. (b & d).

¶1. (C) SUMMARY: Nigeria's largest contribution to global warming is gas flaring, and the World Bank says Nigeria is the second largest flarer in the world. USAID and TDA implemented technical assistance to the GON in October to assist with flare reduction, LPG for cooking and vehicles, and downstream deregulation. END SUMMARY.

¶2. (C) The Mission's energy and climate change projects with the GON include gas flare reduction and capturing liquid petroleum gas to replace kerosene, charcoal, and firewood for cooking fuel. Other projects focus on eliminating subsidies for petroleum products, providing retrofit kits and infrastructure to allow Nigerian vehicles to switch from gasoline to liquefied petroleum gas, and establishing an open forum for continued dialogue.

¶3. (SBU) Nigeria is a contributor to climate change largely due to the flaring of stranded natural gas in the Niger Delta region. The gas, a by-product of oil exploitation, is burned off because oil companies neither utilize nor recycle it. The Nigerian National Petroleum Corporation (NNPC) reports that 26 percent of gas produced in the country is burned into the atmosphere each year, representing approximately 666 million standard cubic feet of gas.

¶4. (SBU) The World Bank says that Nigeria is the second largest flarer in the world after Russia and the largest in Africa. It estimates that Nigeria loses \$2.5 billion annually to gas flaring, which has not been a big enough financial incentive to overcome the lack of tax incentives and infrastructure necessary to capture and transport the gas to processing facilities. Nigeria is only now slowly moving toward building the infrastructure to eliminate flaring in the large fields.

¶5. (SBU) The Mission has worked with the Ministry of Petroleum Resources for the past 18 months to develop a plan to reduce gas flaring. Two programs are operational: A) USAID has implemented with the GON and the private sector a technical assistance program to support capturing stranded gas to use for producing electricity; and B) the U.S. Trade and Development Agency (USTDA) commissioned a Definition Mission to the oil and gas sector to assist the Ministry of Petroleum Resources with a gas-to-liquids (GTL) technology to capture stranded gas at the wellhead and convert it to a liquid fuel or ethylene, a chemical compound that can be used to produce plastic and other products. This output can be sold as a raw material or used in a business cluster built next to the GTL plant to produce manufactured/industrial products.

¶16. (SBU) The Mission encourages the GON to allow the communities around the GTL plant to use the products to build a business cluster, create jobs, provide training and produce sustainable income for the oil-producing communities. The GTL plant would also provide two usable by-products that are needed in the impoverished rural areas: potable distilled water generated at a rate of 60 gallons per minute, and electricity for the business cluster and/or nearby homes. Qand electricity for the business cluster and/or nearby homes.

¶17. (C) The GON is deregulating the downstream oil and gas sector and has asked the USG for assistance. USTDA's current Definition Mission to Nigeria will assist the GON to address the steps necessary to capture liquefied petroleum gas (LPG) for cooking and for an alternate fuel to gasoline for vehicles. The GON plans to use carbon credits to pay for public education and awareness on the merits and use of LPG, as well as funding incentives toward the gas cylinders and cooking appliances. The GON also wants to provide an incentive for conversion kits for vehicles so owners can easily make the switch to LPG. The GON is looking at a conversion from gasoline to LPG of 90 percent. Nigeria does LPG well. It exports about 2.2 million metric tons of LPG per year, and can easily redirect adequate supplies for cooking and vehicles.

¶18. (SBU) Nigeria and the U.S. held their first roundtable on energy and climate change May 21-22, 2009. Deputy Assistant Secretary Doug Hengel for Economic, Energy and Business Affairs led an interagency USG delegation to Nigeria to open a dialogue with counterparts from the GON on energy and climate issues. The roundtable set the stage for future cooperation and clarified opportunities to assist Nigeria in the development and implementation of climate change policy and programs.

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¶19. (SBU) The following cables report Mission Nigeria's climate change activities:

--ABUJA 1469-ACTION REQUEST FOR TECHNICAL ASSISTANCE. This followed months of discussion, and helped bring USAID and USTDA funding for the GON.

--ABUJA 1328-MINISTER TAKES ACTION ON GAS FLARING. This request was the outcome of several months of meetings on a U.S. technology that could convert stranded natural gas to liquid petroleum gas at the wellhead. This helped the Mission to further define the possibility of marrying this new U.S. technology with the business cluster concept.

--ABUJA 1209-USTDA VISIT ELICITS GON ASSISTANCE REQUESTS FOR PETROLEUM SECTOR. USTDA met with the Minister of Petroleum Resources to discuss Nigeria's assistance request. This led to the commissioning of a Definition Mission to address GTL technology options.

--ABUJA 1096-DAS HENGEL DISCUSSES NIGER DELTA DEVELOPMENT WITH NNPC MANAGERS. This meeting improved understanding of the poverty and neglect of the Niger Delta oil-producing communities. It also opened the door for the concept of establishing business clusters to provide sustainable employment within the region.

--ABUJA 1050-U.S.ROUNDTABLE ON ENERGY AND CLIMATE CHANGE SETS STAGE FOR FURTHER COOPERATION. This roundtable forged relationships and a deeper cooperative spirit between the USG and GON. The NNPC General Managing Director committed to setting a policy on LPG for cooking and transportation.

--ABUJA 501-OIL CHIEF REQUESTS DIALOGUE ON ENERGY, CLIMATE. This meeting between the Ambassador and the NNPC General Managing Director opened the door for dialogue with Washington policy representatives.

--ABUJA 331-INAUGURATION OF COMMITTEE ON CLIMATE CHANGE BY HOUSE OF REPRESENTATIVES. This committee is charged with providing oversight and legal framework for the GON response to climate change. Desertification and desert encroachment, gas flaring, and deforestation were declared the main challenges. This permitted the

Mission to convince committee members that the USG is working to assist the GON to reduce gas flaring and provide a solution for cooking fuel.

--LAGOS 177-LPG MARKET STILL DORMANT DESPITE HUGE POTENTIAL. This conference helped further awareness of LPG as a preferred fuel for cooking. Mission personnel introduced a USTDA study for the GON on "Nigerian LPG Sector Policy & Regulatory Framework". Public access to the study created interest that led to meetings on policy implementation.

--08 ABUJA 1942-USG COLLABORATES WITH WORLD BANK & DFID TO ASSIST GAS SECTOR. This collaboration assisted with the implementation of the GON's gas policy, master plan, and pricing formula, and helped secure funding for gas flare reduction.

--08 ABUJA 841-EARTH DAY IN JOS A SUCCESS. The Jos American Corner partnered with local environmentalists and non-government organizations to stage an Earth Day event with the theme, "A Call for Climate Change." This allowed the Mission to deepen its relationship with Ministry of Energy Officials.

¶10. (SBU) Comment: GON efforts to mitigate climate change could falter due to the political influence of groups who have no interest in seeing their kerosene and gasoline import businesses undercut. Corruption in delivering the needed infrastructure or a change in government administration in the 2011 elections could also be a set back for these projects. Continued USG engagement and support are essential to sustaining action in Nigeria to reduce gas flaring.

SANDERS